



**Co-operative Federation of Victoria Ltd**

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The Hon. Denis Napthine, M.L.A.  
The Minister for Youth and for Community Service  
22<sup>nd</sup> Floor  
555 Collins Street  
MELBOURNE VIC 3000

Dear Mr. Napthine:

It is pleasing that the Department of Human Services has commissioned a report on the legal and organisational options available to primary and community support providers.

It is particularly pleasing that the discussion of these options includes co-operatives for this model is not always recognised in public policy debate.

In presenting legal and organisational options, however, it is critically important to be objective about the models. I regret to say that there are comments on co-operatives in the report **A Stronger Primary Health and Community Support System Provider Collaboration Options: A PHACS Information Resource**, which are incomplete and/or misleading.

In the attachment, I have reproduced comments from the report on co-operatives in regular text and provide a critical commentary in **bold text**.

The comments on co-operatives in the report are not balanced and it is disappointing that there is a conclusion that co-operatives may be appropriate "for particular groups" but by implication not for others i.e. most. Throughout the text there is a tendency to overstate the strengths of other models and understate the strengths of the co-operative model. This is confirmed by the options presented in Appendix C: Structural Alternatives which refer to an unincorporated alliance, an incorporated association and an incorporated company limited by shares or guarantee but not to an incorporated co-operative. It is not helpful either that on p 20 of the report co-operative principles are identified but not reproduced in full and it is inaccurately implied that there are five principles:

- a) Voluntary and open membership.
- b) Democratic member control.
- c) Member economic contribution, autonomy and independence, education, training and information.
- d) Co-operation among co-operatives.
- e) Concern for community.

There are seven co-operative principles and three of these have been grouped as one within c :

- (a) Member economic contribution.
- (b) Autonomy and independence.
- (c) Education, training and information.

It is further disappointing that Appendix D: Further Reading does not refer to any co-operative texts.

This imbalance in the report's presentation of the legal and organisational options defies the lesson of co-operative experience in Australia and overseas where there has been no limitation to the application and success of the co-operative model whether it is credit unions, the dairy industry, community services, dispensaries, electricity provision, hospitals, telecommunications and the media.

It would have been useful if the report had included examples of providers with different legal and organisational forms. This could have included, for example, two significant U.S.A. co-operatives – the Group Health Co-operative and the Rural Wisconsin Health Co-operative. The Group Health Co-operative, Seattle, Washington, is the largest consumer governed health care organisation in the USA with 652,694 member-owners, 8300 staff and a revenue of \$US 1.3 billion in 1997. The Rural Wisconsin Health Co-operative is owned by 24 rural acute, general medical-surgical hospitals and one university hospital based in Sauk City, Wisconsin, U.S.A.

**A Stronger Primary Health and Community Support System Provider Collaboration**

**Options: A PHACS Information Resource** should have provided a more balanced account of the co-operative option so that providers could make an informed choice.

The co-operative option is not always appropriate and its choice depends primarily on an understanding of and commitment to member ownership and control through mutuality and democracy. Co-operatives have strengths and weaknesses and these need to be clearly and accurately identified for informed choice. But, then, all legal and organisational options have defined strengths and weaknesses which need to be accurately and clearly identified.

The suitability of an organisation to be a PHACS provider should not be determined by its ownership arrangements. Unfortunately, the report implies that other legal models have a net competitive advantage because they are not co-operatives. The report implies this by stating that a co-operative model is not preferred unless it is "for particular groups."

I suggest that appropriate corrective action is necessary to rectify the misleading comments on co-operatives in the report and I would be pleased to discuss further a feasible course of action.

In co-operation,



David Griffiths  
Chairman